

*rec'd 10/27/78*  
OLC # 78-1706/8EXCEPTION TO THE CHARGE-BACK PROVISION

The Central Intelligence Agency was faced with a unique problem when the Federal Employees' Compensation Act was amended to require the Department of Labor to charge agencies for the cost of benefits provided to their employees. Many of our employees could not be openly identified because of their sensitive assignments. Arrangements had previously been established to restrict knowledge of our cases to a minimum of top-level employees in the Department who had security clearance for this purpose. In addition, special arrangements were made for Labor's secure handling and storage of classified information. The billing procedure required by the charge-back would have required processing through other elements of the Department and into their machine records. This would have exposed the names of our employees to a large number of personnel who were not cleared.

In March 1961 the Director of Central Intelligence exercised his authority under Section 6 of the CIA Act and exempted the Agency from this provision of the FECA because it would have required the publication or disclosure of the organization, functions, names, official titles, salaries or numbers of personnel employed by the Agency. The Bureau of Employees' Compensation was notified of this decision, discussions were held with Bureau representatives, and the Bureau determined that no billing would be made for compensation costs involving cases originating in the Central Intelligence Agency.

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~~SECRET~~

21-2281

20 March 1961

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Security of Federal Employees' Compensation Cases

1. This memorandum contains a recommendation in paragraph 3 for approval of the Director of Central Intelligence.

2. Our employees are entitled to a variety of benefits under the Federal Employees' Compensation Act and the benefits are provided by the Bureau of Employees' Compensation. The Bureau has been most cooperative in protecting our security by restricting knowledge of our cases to a minimum of their top-level employees who have been cleared for this purpose. An amendment to the Compensation Act last fall would require the Bureau to charge all agencies for the cost of benefits provided to their employees. To establish such billing, all cases would have to be processed through the routine elements of the Bureau and into their machine records which would expose the names of our employees to a large number of low-level clerical and administrative people. The clearance problem would be formidable, if not impossible, and the risk to security would be grave as we process many quite sensitive cases up into the SECRET classification.

3. Under the circumstances, I believe it is appropriate and necessary that the Agency avail itself of the authorities in section 6 of the CIA Act which exempt it from the provisions of any law requiring the publication or disclosure of the organization, functions, names, official titles, salaries, or numbers of personnel employed by the Agency. I recommend that you approve the exercise of this authority, and if you do so the necessary arrangements would be made with the Bureau by the Director of Personnel.

LAWRENCE R. HOUSTON  
General Counsel

CONCUR

Deputy Director (Support)

MAR 1961

Date

The recommendation in paragraph 3 is approved

Allen W. Dulles

Director

25 MAR 1961

Date

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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON 25, D.C.

10 APRIL 1951

Mr. Thomas A. Tinsley  
Acting Deputy Director  
Bureau of Employees' Compensation  
Washington, D. C.

Dear Mr. Tinsley:

We have studied the new provisions of Section 35(b) of the Federal Employees' Compensation Act and possible security problems that might result from the effect of these provisions on this Agency.

We believe that the disclosure of additional information called for under the provisions of Section 35(b) would involve a serious security situation for this Agency. Since the information which would be disclosed is of the type described in Section 6, P. L. 81-110 (1949), concerning the protection of intelligence sources and methods, the Director of Central Intelligence has determined that this Agency is unable to comply with the provisions of Section 35(b) of the Federal Employees' Compensation Act.

25X1 I have asked [ ] to represent this Agency in such further discussion of this problem as you may deem necessary. Please feel free to contact him at your convenience.

Very truly yours,

25X1 [ ]  
Acting Director of Personnel

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